Dipaleseng Local Municipality
Annual financial statements
for the year ended 30 June 2018

General Information

Legal form of entity	Dipaleseng Local Municipality
Demarcation code	MP 306
Members of Council	12
Executive Mayor	Councillor: ML Makhubu
Speaker	Councillor: KB Nkosi
Councillors	Councillor: ZS Ngwenya (MMC)
	Councillor: MD Khanye (MMC)
	Councillor:: AK Nyamade (MPAC Chairperson)
	Councillor: PM Mokoena
	Councillor: LM Maruping
	Councillor: TJ mahlangu
	Councillor: SME Nhlapho
	Councillor: MF Dlamini
	Councillor: WS Davel
	Councillor: BN Nkosi
Accounting Officer	Ms TC Mametja
Acting Chief Financial Officer (CFO)	SM Phiri
Grading of local authority	Grade 2
Nature of business and principal activities	Local government institution in the Gert Sibande District, Mpumalanga
Auditors	Auditor General South Africa
Bankers	First National Bank Limited South Africa
Legal advisors	Panel of Attorneys
Currency	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Rounding off	Nearest Rand
Registered office	Cnr of Johnny Mokoena Drive and Themba Shozi Street Balfour Mpumalanga 2410
Postal address	Private Bag X1005 Balfour Mpumalanga 2410
Telephone number	017 773 0055
Fax	017 773 0169
e-mail address	dipaleseng@worldonline.com
official website	www.dipaleseng.com

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered institute of Government Finance, Audit and Risk Officer
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Dipaleseng Locall Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 4 to 59, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018.

Accounting Officer
Designation

31 August 2018

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

Net surplus of the municipality was R93 860 123 (2017: surplus R 6 353 729).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had accumulated Surplus of R 410 876 866 and that the municipality's total assets exceed its liabilities by R 410 876 866.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Acceptible Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Standard Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The Acting accounting officers of the municipality during the year were Mr SL Netshivhale and at reporting date was Ms TC Mametja .

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King 4 Report on Corporate Governance for South Africa 2016. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitors the municipality's compliance with the code on a quarterly basis.

The salient features of the municipality's adoption of the Code are outlined below:

Audit committee

During the current financial year the chairperson of the audit committee was Mr. A.C. Keyser who is an independent audit committee member. The Municipality has in addition two other independent audit committee members.

In terms of Section 166 of the Municipal Finance Management Act 56 of 2003, the municipality must appoint members of the Audit Committee. Dipaleseng Local Municipality was able to appoint the independent members as required by the Municipal Finance Management Act 56, 2003 during the year under review.

Internal audit

The Municipal internal audit unit is headed by MM Ngwenya This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

First National Bank Limited will continue to provide financial services to the municipality.

8. Auditors

Auditor General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 june 2018 as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	3 108 152	145 446
Receivables from non-exchange transactions	3	2 491 943	1 861 713
Receivables from exchange transactions	4	34 103 296	10 231 577
Inventories	5	84 079	29 812
		39 787 470	**12 268 548**
Non-Current Assets			
Investment property	8	38 785 823	52 493 011
Property, plant and equipment	9	527 439 329	411 850 519
Intangible assets	6	380 372	405 017
Other asset	7	216 815	216 815
		566 822 339	**464 965 362**
Total Assets		**606 609 809**	**477 233 910**
Liabilities			
Current Liabilities			
Trade and other payables	10	104 669 586	76 875 208
Consumer deposits	11	1 424 463	1 457 055
VAT payable	12	-	17 602 819
Unspent conditional grants and receipts	13	6 467 533	460 871
Provisions	14	19 812 806	19 935 130
Employee benefit obligation	15	314 991	295 293
Vay Payable	12	16 840 693	-
		149 530 072	**116 626 376**
Non-Current Liabilities			
Employee benefit obligation	15	12 344 734	11 218 706
Provisions	14	33 863 423	31 516 628
		46 208 157	**42 735 334**
Total Liabilities		**195 738 229**	**159 361 710**
Net Assets		**410 871 580**	**317 872 200**
Accumulated surplus		410 876 866	317 872 200

* See Note 39

Statement of Financial Performance for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	92 921 824	85 115 254
Rental of facilities and equipment		219 184	213 377
Licences and permits		1 963 791	1 634 693
Other income	17	1 187 682	632 932
Interest revenue	18	20 934 372	19 106 101
Total revenue from exchange transactions		**117 226 853**	**106 702 357**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	16 112 386	13 724 228
Transfer revenue			
Government grants & subsidies	20	102 063 338	95 522 131
Public contributions and donations	22	93 927 682	-
Fines		966 250	228 000
Total revenue from non-exchange transactions		**213 069 656**	**109 474 359**
Total revenue	21	**330 296 509**	**216 176 716**
Expenditure			
Employee related costs	24	(55 960 718)	(50 410 799)
Remuneration of councillors	25	(4 935 893)	(5 103 822)
Depreciation and amortisation	26	(17 992 022)	(19 558 704)
Impairment loss	33	(1 106 716)	(116 074)
Finance costs	27	(5 986 023)	(1 910 179)
Lease rentals on operating lease		(1 217 419)	(572 340)
Debt Impairment	28	(32 170 451)	(36 089 338)
Repairs and maintenance		(3 394 175)	(5 050 859)
Bulk purchases	29	(58 547 310)	(50 284 084)
Transfers and Subsidies	30	(3 663 227)	(3 384 303)
Loss on disposal of assets and liabilities		(10 506 260)	(2 110 329)
Fair value adjustments		(435 529)	(935 679)
General Expenses	31	(40 520 643)	(34 296 477)
Total expenditure		**(236 436 386)**	**(209 822 987)**
Surplus for the year		**93 860 123**	**6 353 729**

* See Note 39

Statement of Changes in Net Assets for the year ended 30 June 2017

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	313 856 780	313 856 780
Adjustments		
Prior year adjustments	(2 338 309)	(2 338 309)
Balance at 01 July 2016 as restated*	**311 518 471**	**311 518 471**
Changes in net assets		
Restated Surplus for the year	6 353 729	6 353 729
Total changes	6 353 729	6 353 729
Restated* Balance at 01 July 2017	**317 016 743**	**317 016 743**
Changes in net assets		
Deficit for the year	93 860 123	93 860 123
Total changes	93 860 123	93 860 123
Balance at 30 June 2018	**410 876 866**	**410 876 866**

* See Note 39

Cash Flow Statement for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		53 328 060	64 932 882
Grants		104 425 742	75 170 675
Interest income		20 934 372	19 106 101
Other receipts		3 370 657	2 481 002
		182 058 831	161 690 660
Payments			
Employee costs		(59 750 885)	(56 187 393)
Suppliers		(77 845 943)	(71 464 930)
Finance costs		(5 986 023)	(1 910 179)
		(143 582 851)	(129 562 502)
Net cash flows from operating activities	35	**43 032 044**	**32 128 158**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(40 069 338)	(56 233 010)
Proceeds from sale of property, plant and equipment	9	-	627 072
Purchase of intangible assets	6	-	(1 333)
Net cash flows from investing activities		**(40 069 338)**	**(55 607 271)**
Net increase/(decrease) in cash and cash equivalents		**2 962 706**	**(23 479 113)**
Cash and cash equivalents at the beginning of the year		145 446	23 624 559
Cash and cash equivalents at the end of the year	2	**3 108 152**	**145 446**

* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	89 795 891	-	**89 795 891**	92 921 824	**3 125 933**	48.1
Rental of facilities and equipment	237 682	-	**237 682**	219 184	**(18 498)**	
Licences and permits	3 724 625	-	**3 724 625**	1 963 791	**(1 760 834)**	48.2
Other income	942 940	-	**942 940**	1 187 682	**244 742**	
Interest revenue	23 380 994	-	**23 380 994**	20 934 372	**(2 446 622)**	48.3
Total revenue from exchange transactions	**118 082 132**	**-**	**118 082 132**	**117 226 853**	**(855 279)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15 834 364	-	**15 834 364**	16 112 386	**278 022**	
Transfer revenue						
Government grants & subsidies	64 312 800	-	**64 312 800**	102 063 338	**37 750 538**	48.4
Public contributions and donations	-	-	**-**	93 927 682	**93 927 682**	
Fines, Penalties and Forfeits	1 696 539	-	**1 696 539**	966 250	**(730 289)**	48.5
Total revenue from non-exchange transactions	**81 843 703**	**-**	**81 843 703**	**213 069 656**	**131 225 953**	
Total revenue	**199 925 835**	**-**	**199 925 835**	**330 296 509**	**130 370 674**	
Expenditure						
Personnel	(52 744 725)	-	**(52 744 725)**	(55 960 718)	**(3 215 993)**	48.6
Remuneration of councillors	(5 207 277)	-	**(5 207 277)**	(4 935 893)	**271 384**	
Depreciation and amortisation	(18 000 000)	-	**(18 000 000)**	(17 992 022)	**7 978**	
Impairment loss	-	-	**-**	(1 106 716)	**(1 106 716)**	48.7
Finance costs	(173 638)	-	**(173 638)**	(5 986 023)	**(5 812 385)**	48.8
Lease rentals on operating lease	-	-	**-**	(1 217 419)	**(1 217 419)**	
Debt impairment	(39 252 878)	(14 000 000)	**(53 252 878)**	(32 170 451)	**21 082 427**	48.9
Repairs and maintenance	-	-	**-**	(3 394 175)	**(3 394 175)**	
Bulk purchases	(69 145 095)	-	**(69 145 095)**	(58 547 310)	**10 597 785**	48.10
Transfers and Subsidies	(3 163 000)	-	**(3 163 000)**	(3 663 227)	**(500 227)**	
General Expenses	(25 668 447)	-	**(25 668 447)**	(40 520 643)	**(14 852 196)**	48.11
Total expenditure	**(213 355 060)**	**(14 000 000)**	**(227 355 060)**	**(225 494 597)**	**1 860 463**	
Operating surplus	**(13 429 225)**	**(14 000 000)**	**(27 429 225)**	**104 801 912**	**132 231 137**	
Loss on disposal of assets and liabilities	-	-	**-**	(10 506 260)	**(10 506 260)**	
Fair value adjustments	-	-	**-**	(435 529)	**(435 529)**	48.12
	-	**-**	**-**	**(10 941 789)**	**(10 941 789)**	
Surplus before taxation	**(13 429 225)**	**(14 000 000)**	**(27 429 225)**	**93 860 123**	**121 289 348**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(13 429 225)**	**(14 000 000)**	**(27 429 225)**	**93 860 123**	**121 289 348**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	473 304	-	**473 304**	84 079	**(389 225)**	48.13
Receivables from non-exchange transactions	5 638 838	-	**5 638 838**	2 491 943	**(3 146 895)**	48.14
Receivables from exchange transactions	39 072 459	-	**39 072 459**	34 103 296	**(4 969 163)**	48.15
Cash and cash equivalents	2 422 882	-	**2 422 882**	3 108 152	**685 270**	48.16
	47 607 483	**-**	**47 607 483**	**39 787 470**	**(7 820 013)**	
Non-Current Assets						
Investment property	48 954 724	-	**48 954 724**	38 785 823	**(10 168 901)**	48.17
Property, plant and equipment	407 736 000	-	**407 736 000**	527 439 329	**119 703 329**	
Intangible assets	350 000	-	**350 000**	380 372	**30 372**	
Other asset	217 000	-	**217 000**	216 815	**(185)**	
	457 257 724	**-**	**457 257 724**	**566 822 339**	**109 564 615**	
Total Assets	**504 865 207**	**-**	**504 865 207**	**606 609 809**	**101 744 602**	
Liabilities						
Current Liabilities						
Trade and other payables	29 200 721	-	**29 200 721**	104 669 586	**75 468 865**	48.18
Consumer deposits	1 581 944	-	**1 581 944**	1 424 463	**(157 481)**	
Employee benefit obligation	-	-	**-**	314 991	**314 991**	
Unspent conditional grants and receipts	460 871	-	**460 871**	6 467 533	**6 006 662**	48.19
Provisions	20 230 393	-	**20 230 393**	19 812 806	**(417 587)**	
Vay Payable	-	-	**-**	16 840 693	**16 840 693**	
	51 473 929	**-**	**51 473 929**	**149 530 072**	**98 056 143**	
Non-Current Liabilities						
Employee benefit obligation	30 731 352	-	**30 731 352**	12 344 734	**(18 386 618)**	
Provisions	-	-	**-**	33 863 423	**33 863 423**	
	30 731 352	**-**	**30 731 352**	**46 208 157**	**15 476 805**	
Total Liabilities	**82 205 281**	**-**	**82 205 281**	**195 738 229**	**113 532 948**	
Net Assets	**422 659 926**	**-**	**422 659 926**	**410 871 580**	**(11 788 346)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	422 659 926	-	**422 659 926**	410 879 495	**(11 780 431)**	
Undefined Difference	**-**	**-**	**-**	**(7 915)**	**(7 915)**	
Total Net Assets	**422 659 926**	**-**	**422 659 926**	**410 879 495**	**(11 780 431)**	

Dipaleseng Local Municipality

(Registration number MP 306)
Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	11 084 055	-	**11 084 055**	-	**(11 084 055)**	
Sale of goods and services	67 089 804	-	**67 089 804**	68 550 057	**1 460 253**	48.20
Grants	104 435 000	-	**104 435 000**	77 494 826	**(26 940 174)**	
Other receipts	9 601 776	-	**9 601 776**	4 653 846	**(4 947 930)**	48.21
	192 210 635	**-**	**192 210 635**	**150 698 729**	**(41 511 906)**	
Payments						
Employee costs	(52 745 725)	-	**(52 745 725)**	(54 931 331)	**(2 185 606)**	
Suppliers	(103 356 465)	-	**(103 356 465)**	(92 305 136)	**11 051 329**	48.22
	(156 102 190)	**-**	**(156 102 190)**	**(147 236 467)**	**8 865 723**	
Net cash flows from operating activities	**36 108 445**	**-**	**36 108 445**	**3 462 262**	**(32 646 183)**	
Net increase/(decrease) in cash and cash equivalents	36 108 445	-	**36 108 445**	3 462 262	**(32 646 183)**	
Cash and cash equivalents at the end of the year	**36 108 445**	**-**	**36 108 445**	**3 462 262**	**(32 646 183)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	15 834 364	-	15 834 364	-		15 834 364	16 112 386		278 022	102 %	102 %
Service charges	89 795 891	-	89 795 891	-		89 795 891	92 921 824		3 125 933	103 %	103 %
Investment revenue	23 380 994	-	23 380 994	-		23 380 994	20 934 372		(2 446 622)	90 %	90 %
Transfers recognised - operational	64 312 800	-	64 312 800	-		64 312 800	56 678 000		(7 634 800)	88 %	88 %
Other own revenue	6 601 786	-	6 601 786	-		6 601 786	4 336 907		(2 264 879)	66 %	66 %
Total revenue (excluding capital grants and subsidies)	**199 925 835**	**-**	**199 925 835**	**-**		**199 925 835**	**190 983 489**		**(8 942 346)**	**96 %**	**96 %**
Employee costs	(52 744 725)	-	(52 744 725)	-	-	(52 744 725)	(55 960 718)	-	(3 215 993)	106 %	106 %
Remuneration of councillors	(5 207 227)	-	(5 207 227)	-	-	(5 207 227)	(4 935 893)	-	271 334	95 %	95 %
Debt impairment	(39 252 878)	(14 000 000)	(53 252 878)			(53 252 878)	(32 170 451)	-	21 082 427	60 %	82 %
Depreciation and asset impairment	(18 000 000)	-	(18 000 000)			(18 000 000)	(18 289 205)	-	(289 205)	102 %	102 %
Finance charges	(173 638)	-	(173 638)	-	-	(173 638)	(5 986 023)	-	(5 812 385)	3 447 %	3 447 %
Materials and bulk purchases	(75 668 512)	-	(75 668 512)	-	-	(75 668 512)	(58 547 310)	-	17 121 202	77 %	77 %
Transfers and grants	(3 163 000)	-	(3 163 000)	-	-	(3 163 000)	(3 663 227)	-	(500 227)	116 %	116 %
Other expenditure	(19 145 030)	-	(19 145 030)	-	-	(19 145 030)	(47 827 735)	-	(28 682 705)	250 %	250 %
Total expenditure	**(213 355 010)**	**(14 000 000)**	**(227 355 010)**	**-**	**-**	**(227 355 010)**	**(227 380 562)**	**-**	**(25 552)**	**100 %**	**107 %**
Surplus/(Deficit)	**(13 429 175)**	**(14 000 000)**	**(27 429 175)**	**-**		**(27 429 175)**	**(36 397 073)**		**(8 967 898)**	**133 %**	**271 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	40 069 338		40 069 338	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	93 927 682		93 927 682	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital grants and subsidies	**(13 429 175)**	**(14 000 000)**	**(27 429 175)**	**-**		**(27 429 175)**	**97 599 947**		**125 029 122**	**(356)%**	**(727)%**
Surplus/(Deficit) for the year	**(13 429 175)**	**(14 000 000)**	**(27 429 175)**	**-**		**(27 429 175)**	**97 599 947**		**125 029 122**	**(356)%**	**(727)%**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	40 122 200	-	40 122 200	-		40 122 200	25 347 466		(14 774 734)	63 %	63 %

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	59 536 389	(19 327 950)	40 208 439	-		40 208 439	43 032 044		2 823 605	107 %	72 %
Net cash from (used) investing	(40 122 200)	-	(40 122 200)	-		(40 122 200)	(40 069 338)		52 862	100 %	100 %
Net increase/(decrease) in cash and cash equivalents	**19 414 189**	**(19 327 950)**	**86 239**	**-**		**86 239**	**2 962 706**		**2 876 467**	**3 435 %**	**15 %**
Cash and cash equivalents at the beginning of the year	33 745 607	(33 600 161)	145 446	-		145 446	145 446		-	100 %	- %
Cash and cash equivalents at year end	**53 159 796**	**(52 928 111)**	**231 685**	**-**		**231 685**	**3 108 152**		**(2 876 467)**	**1 342 %**	**6 %**

The accounting policies on pages 17 to 32 and the notes on pages 33 to 59 form an integral part of the annual financial statements.

Accounting Policies for the year ended 30 June 2018

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for writing down stock to the lower of cost or net realisable value is made. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the impairment testing assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Accounting Policies for the year ended 30 June 2018

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies for the year ended 30 June 2018

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies for the year ended 30 June 2018

1.3 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	0-100 years
Plant and machinery	Straight line	5-15 years
Furniture and fixtures	Straight line	3-10 years
Motor vehicles	Straight line	5-12 years
Office equipment	Straight line	3-7 years
IT equipment	Straight line	1-3 years
Computer software	Straight line	1-3 years
Infrastructure	Straight line	0-100 years
Community	Straight line	0-100 years
Other property, plant and equipment	Straight line	5-12 years
Specialised vehicles	Straight line	5-7 years
Tools and loose gear	Straight line	3-5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies for the year ended 30 June 2018

1.3 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Accounting Policies for the year ended 30 June 2018

1.4 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	x years
Other intangible assets	x years

1.5 Financial instruments

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction and then their costs are their fair value as at the date of acquisition.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Accounting Policies for the year ended 30 June 2018

1.7 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies for the year ended 30 June 2018

1.9 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies for the year ended 30 June 2018

1.9 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies for the year ended 30 June 2018

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.11 Employee benefits

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies for the year ended 30 June 2018

1.12 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies for the year ended 30 June 2018

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies for the year ended 30 June 2018

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.24 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term, highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as current assets. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

1.25 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

Accounting Policies for the year ended 30 June 2018

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.28 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.29 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

2. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Cash on hand	3 108 152	-
Bank balances	-	145 446
	3 108 152	**145 446**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The municipality had the following bank accounts

3. Receivables from non-exchange transactions

Rates	36 083 583	32 827 299
Fines	4 725 285	3 777 635
Less: Allowance for impairment	(38 316 925)	(34 743 221)
	2 491 943	**1 861 713**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(34 147 637)	(34 743 221)
Provision for impairment	-	595 584
	(34 147 637)	**(34 147 637)**

As of 30 June 2018, the receivable from non-exchange transactions include the follwoing amounts R 36 378 130 (2017: R 32 827 299) and and R3 777 635 (2016: R 3 777 635) were for Property rate and fines respectively.

The receivables from non-exchange transactions were provided for impairment amounting to R 32 229 988.53 (2017: R31 610 697) and property rates of R 3 132 524 (2017: R 3 132 524) for fines respectively.

As of 30 June 2017, the net carrying amounts of receivables from non-exchange transactions were for property rates R 2 148 141 (2017: R1 866 554) and fines R 622 238 (2017: R 645 110) for fines respectively .

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

4. Receivables from exchange transactions

	2018	2017
Gross balances		
Electricity	24 135 259	24 974 710
Water	71 794 895	52 599 178
Sewerage	69 802 149	57 808 407
Refuse	38 646 514	31 919 765
Deposit	-	37 124
Other	115 424 389	114 059 394
	319 803 206	**281 398 578**

	2018	2017
Less: Allowance for impairment		
Electricity	(21 668 433)	(20 434 015)
Water	(53 339 134)	(51 021 002)
Sewerage	(60 676 343)	(56 988 754)
Refuse	(33 511 067)	(31 507 454)
Deposit	(12 168)	(30 081)
Other	(116 492 765)	(111 185 695)
	(285 699 910)	**(271 167 001)**

	2018	2017
Net balance		
Electricity	2 466 826	4 540 695
Water	18 455 761	1 578 176
Sewerage	9 125 806	819 653
Refuse	5 135 447	412 311
Deposit	(12 168)	7 043
Other	(1 068 376)	2 873 699
	34 103 296	**10 231 577**

	2018	2017
Electricity		
Current (0 -30 days)	616 706	3 762 986
31 - 60 days	1 233 413	289 226
61 - 90 days	383 294	267 688
91 - 120 days	233 413	220 795
	2 466 826	**4 540 695**

	2018	2017
Water		
Current (0 -30 days)	7 652 310	886 771
31 - 60 days	3 245 655	273 623
61 - 90 days	2 525 631	238 555
91 - 120 days	5 032 165	179 227
	18 455 761	**1 578 176**

	2018	2017
Sewerage		
Current (0 -30 days)	1 591 531	259 393
31 - 60 days	2 526 540	206 438
61 - 90 days	2 562 432	182 854
91 - 120 days	2 445 303	170 968
	9 125 806	**819 653**

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

4. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	1 365 892	126 324
31 - 60 days	1 256 985	101 591
61 - 90 days	1 258 973	94 457
91 - 120 days	1 253 597	89 939
	5 135 447	**412 311**

Housing rental		
Current (0 -30 days)	(6 850)	6 700
31 - 60 days	(3 535)	243
61 - 90 days	(1 783)	100
	(12 168)	**7 043**

Other (specify)		
Current (0 -30 days)	(658 900)	1 629 438
31 - 60 days	(300 259)	424 694
61 - 90 days	(109 217)	391 295
91 - 120 days	-	428 272
	(1 068 376)	**2 873 699**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(285 699 910)	(261 267 703)
Contributions to allowance	-	(9 899 298)
	(285 699 910)	**(271 167 001)**

Consumer debtors impaired

As of 30 June 2018, receivables from exchange transactions of R 304 123 863 (2017: 273 926 873) were impaired and provided for.

The amount of the provision for debt impairment was R 285 699 910 as of R 30 June 2018 (2017: R 271 167 001).

5. Inventories

Consumable stores	52 583	976
Water	31 496	28 836
	84 079	**29 812**

Inventory pledged as security

There was no inventory pledged as security at year end.

Inventory recognition

Consumable stores at year end are composed of electricity meters and water meters.

Inventory has been valued at cost.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

6. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	161 673	(131 375)	30 298	161 673	(106 730)	54 943
Servitudes	350 074	-	350 074	350 074	-	350 074
Total	**511 747**	**(131 375)**	**380 372**	**511 747**	**(106 730)**	**405 017**

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	54 943	(24 645)	30 298
Servitudes	350 074	-	350 074
	405 017	**(24 645)**	**380 372**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	-	1 333	77 979	(24 369)	54 943
Servitudes	350 074	-	-	-	350 074
	350 074	**1 333**	**77 979**	**(24 369)**	**405 017**

Pledged as security

All intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality. These are servitude described as intangible assets that are non-monetary assets without physical substance. These servitudes are aggregated as recorded as in the asset register where control vest with Dipaleseng LM, and are registered on the principle of substance over form, these have been determined for the respective pipe section and conductors, spatially measuring length and appropriate width selected according to the adopted model used to calculate the area of the servitude.

7. Financial assets

Eskom deposit	216 815	216 815

Held as Security

An amount of R 216,815 (2016: R216,815) is held as security by Eskom Holding SOL Limited.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value or from fair value to cost or amortised cost during the current or prior year.

There were no disposals or gains on the financial assets during the year.

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

8. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	38 785 823	-	38 785 823	52 493 011	-	52 493 011

Reconciliation of investment property - 2018

	Opening balance	Transfers	Other changes, movements	Fair value adjustments	Total
Land and buildings	52 493 011	(2 521 264)	(10 750 395)	(435 529)	38 785 823

Reconciliation of investment property - 2017

	Opening balance	Additions through transfer of functions	Impairments	Fair value adjustments	Total
Land and buildings	53 745 775	(196 655)	(120 430)	(935 679)	52 493 011

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. However the municpality does not have any property plant and equipment pledged as security for liabilities

Details of valuation

The effective date of the valuations was . Revaluations were performed by an independent valuer, Zak Van der Merwe, of I@ Consulting. I@ Consulting is not connected to the municipality and has knowledge of the location and category of the investment property being valued.

The valuation was based on open market values for existing use.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

9. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	74 864 445	(42 845 959)	32 018 486	48 192 028	(41 813 267)	6 378 761
Infrastructure	846 205 143	(450 870 173)	395 334 970	751 594 610	(438 809 376)	312 785 234
Community	70 535 141	(39 974 462)	30 560 679	72 788 334	(40 893 626)	31 894 708
Other property, plant and equipment	11 146 083	(8 300 929)	2 845 154	10 311 757	(7 745 717)	2 566 040
Capital work in progress	66 680 040	-	66 680 040	58 225 776	-	58 225 776
Total	**1 069 430 852**	**(541 991 523)**	**527 439 329**	**941 112 505**	**(529 261 986)**	**411 850 519**

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Additions through transfer of functions	Derecognition of assets	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	6 378 761	89 255	-	(122 852)	27 491 026	-	(747 437)	(1 070 267)	32 018 486
Infrastructure	312 785 234	30 201 432	-	(945 107)	68 957 920	(357 015)	(15 286 560)	(20 934)	395 334 970
Community	31 894 708	125 861	-	(144 936)	-	-	(1 299 441)	(15 513)	30 560 679
Other property, plant and equipment	2 566 040	913 054	-	-	-	-	(633 940)	-	2 845 154
Capital work in progress	58 225 776	38 523 612	(30 069 348)	-	-	-	-	-	66 680 040
	411 850 519	**69 853 214**	**(30 069 348)**	**(1 212 895)**	**96 448 946**	**(357 015)**	**(17 967 378)**	**(1 106 714)**	**527 439 329**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Derecognition loss	Depreciation	Impairment loss	Total
Land and buildings	8 915 927	151 494	-	-	(1 871 495)	(803 386)	(13 779)	6 378 761
Infrastructure	288 062 154	41 314 287	-	-	(149 489)	(16 441 718)	-	312 785 234
Community	33 308 582	45 162	-	-	(2 906)	(1 353 835)	(102 295)	31 894 708
Other property, plant and equipment	3 958 095	214 401	(593 083)	(77 979)	-	(935 394)	-	2 566 040
Capital work in progress	43 521 455	14 704 321	-	-	-	-	-	58 225 776
	377 766 213	**56 429 665**	**(593 083)**	**(77 979)**	**(2 023 890)**	**(19 534 333)**	**(116 074)**	**411 850 519**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	21 679 764	36 546 011	58 225 775
Additions/capital expenditure	38 523 613	-	38 523 613
Transferred to completed items	(30 069 348)	-	(30 069 348)
	30 134 029	**36 546 011**	**66 680 040**

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	13 168 539	30 352 916	43 521 455
Additions/capital expenditure	30 089 209	6 193 095	36 282 304
Transferred to completed items	(21 577 984)	-	(21 577 984)
	21 679 764	**36 546 011**	**58 225 775**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

See note 33 for details on impairment of assets.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

10. Trade and other payables

Trade payables	96 518 335	69 234 441
Accrued leave pay	7 174 953	6 771 690
Accrued bonus	976 298	869 077
	104 669 586	**76 875 208**

11. Consumer deposits

Deposits held on consumers	1 424 463	1 457 055

12. VAT payable

VAT payable	-	17 602 819

The Municipality is registered on the cash basis in terms of the Value Added Tax Act.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	(10 993 338)	-
Integrated National Electrification Programme	17 000 000	-
Gert Sibande District Municipality Grant	460 871	460 871
	6 467 533	**460 871**

See note 20 for the reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

14. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Provision for Landfill site	29 934 493	2 078 814	32 013 307
Provision for Long Service Awards	1 873 654	145 657	2 019 311
Other provision DWA and ESKOM	19 643 611	-	19 643 611
	51 451 758	**2 224 471**	**53 676 229**

Reconciliation of provisions - 2017

	Opening Balance	Reversed during the year	Change in discount factor	Total
Provision for Landfill site	17 202 184	-	12 732 309	29 934 493
Provision for Long Service Awards	1 828 703	-	44 951	1 873 654
Department of Water Affairs	20 318 092	(674 481)	-	19 643 611
	39 348 979	**(674 481)**	**12 777 260**	**51 451 758**

	2018	2017
Non-current liabilities	33 863 423	31 516 628
Current liabilities	19 812 806	19 935 130
	53 676 229	**51 451 758**

Provision for Long Service awards

The IAS19/GRAP25 Statement sets out the recognition, measurement and disclosure requirements in accounting for “defined benefit” plans. The Statement requires further that actuarial gains and losses and past service cost are to be recognised immediately for long-service employee benefits.

The actuarial valuation was performed by ARCH Consulting.

Provision for Landfill site

Grap 19 statement requires the recognition of a present obligation by an entity arising from past events, the settlement of which is expected to result in an outflow from the Municipality of resources embodying economic benefits (paragraph .16 of GRAP 19). The operation of a landfill results is an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The Landfill site valuation was performed by Environmental and Sustainability Solution CC.

Department of Water Affairs

The municipality is not in agreement with the rate per cubic meter charged by the Department of Water Affairs for extraction of raw water. As at the June 2018 the municipality disputed the amount of R 19 643 611 from the department of Water affairs in respect of amount alleged to be owed by the Municipality to this entity, this amount has escalated to R71 001 263.75 as at 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

15. Employee benefit obligations

Defined benefit plan

The plan is a post-employment medical benefit plan.

Post-retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19/GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP 25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.00% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2015. This rate does not reflect any adjustment for taxation.

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.5% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 7%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.82% which derives from ((1+9.47%)/(1+8.5%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2017.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(12 659 725)	(11 513 999)
Non-current liabilities	(12 344 734)	(11 218 706)
Current liabilities	(314 991)	(295 293)
	(12 659 725)	**(11 513 999)**

The fair value of the defined contribution liability includes:

Figures in Rand	2018	2017

15. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	945 773	1 082 710
Interest cost	1 261 952	1 288 801
Actuarial (gains) losses	(329 530)	(2 513 026)
Curtailment	(586 812)	(486 306)
	1 291 383	**(627 821)**

Assumptions used at the reporting date:

Actual return on plan assets	10 %	10 %

Discount Rate: IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP 25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.81% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2018. This rate does not reflect any adjustment for taxation.

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.07% has been assumed. This is 1.5% in excsess of the expected CPI inflation over the expected term of the liability, namely 6.57%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.61% which derives from ((1+9.81%)/(1+8.07%))-1.

The expected inflation assumption of 6.57% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.57%) and those of fixed interest bonds (9.81%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+9.81%-0.50%)/1+2.57)-1

The next contribution increase was assumed to occur with effect from 1 January 2018.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 75% was assumed.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

16. Service charges

Sale of electricity	51 856 764	47 916 141
Sale of water	18 135 646	16 145 666
Sewerage and sanitation charges	16 603 582	15 233 976
Refuse removal	6 325 832	5 819 471
	92 921 824	**85 115 254**

17. Other income

Advertising businesses	426	734
Burial fees	140 158	129 175
Certificates of compliance	18 621	6 204
Clearance certificates	(696 052)	221 876
Escorting vehicles	15 040	7 119
Fines: Library	12 621	12 149
Penalties	10 174	23 296
Reconnection fees	128 725	17 690
Refuse bins	1 785	2 210
Tender documents	11 798	32 500
Town establishment	1 542 904	147 498
Trade licence fees	-	32 017
Valuation certificate	1 482	464
	1 187 682	**632 932**

18. Investment revenue

Interest revenue		
Bank	486 952	648 697
Interest charged on financial instruments	20 447 420	18 457 404
	20 934 372	**19 106 101**

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

19. Property rates

Rates received

Property rates	16 112 386	13 724 228

Valuations

Residential	897 328 100	897 328 100
Commercial	175 863 070	175 863 070
State	134 933 100	134 933 100
Municipal	91 060 799	91 060 799
Small holdings and farms	1 451 235 000	1 451 235 000
Religious places	20 523 000	20 523 000
	2 770 943 069	**2 770 943 069**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014.

A general rate of 0.007295 (2017: 0.0.006843) is applied to property valuations to determine assessment rates. Rebates of R15 000 (2017:R15 000) are granted to residential and state property owners.

20. Government grants and subsidies

Operating grants		
Equitable Share	58 388 000	54 340 262
Financial Management Grant	1 900 000	1 825 000
Expanded Public Works Program Grant	1 706 000	1 510 000
	61 994 000	57 675 262
Capital grants		
Conditional conditional grants recognised as revenue	23 069 338	37 846 869
Integrated National Electrification Programme	17 000 000	-
	40 069 338	37 846 869
	102 063 338	**95 522 131**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	13 580 262
Current-year receipts	29 076 000	24 159 000
Conditions met - transferred to revenue	(40 069 338)	(24 159 000)
Other	-	(13 580 262)
	(10 993 338)	**-**

Conditions still to be met - balance remains liabilities (see note 13).

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of the community. Other than the unspent and withheld amounts as disclosed, the conditions of the grant were met.

Department of Human Settlements Grant

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

20. Government grants and subsidies (continued)

Integrated National Electrification Programme

Balance unspent at beginning of year	-	6 687 869
Current-year receipts	17 000 000	7 000 000
Conditions met - transferred to revenue	-	(13 687 869)
	17 000 000	**-**

Conditions still to be met - amount remains liabilities (see note 13).

This grant will be used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the grant were not met and the funds have been disclosed as unspent conditional grants.

Financial Management Grant

Current-year receipts	1 900 000	1 825 000
Conditions met - transferred to revenue	(1 900 000)	(1 825 000)
	-	**-**

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met and no funds have been withheld.

Municipal System Improvement Grant

This grant was used to build in-house capacity to perform their functions and stabilise institutional and governance systems. The conditions of the grant were met and no funds have been withheld.

Expanded Public Works Program Grant

Current-year receipts	1 706 000	1 510 000
Conditions met - transferred to revenue	(1 706 000)	(1 510 000)
	-	**-**

The Expanded Public Works Program is a special performance-based incentive provided to provinces and municipalities that contribute to the employment creation efforts of the expanded public works program through the employment of previously unemployed people. The conditions of the grant were met and no funds have been withheld.

Gert Sibande District Municipality Grant

Balance unspent at beginning of year	460 871	460 871

Balance remains liabilities and will be paid back to Gert Sibande District Municipality. (see note 13).

This grant was used to pay employees leave encashment. Other than the unspent amount as disclosed, the conditions of the grant were met.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

21. Revenue

Service charges	92 921 824	85 115 254
Rental of facilities and equipment	219 184	213 377
Licences and permits	1 963 791	1 634 693
Other income	1 187 682	632 932
Interest revenue	20 934 372	19 106 101
Property rates	16 112 386	13 724 228
Government grants & subsidies	102 063 338	95 522 131
Public contributions and donations	93 927 682	-
Fines, Penalties and Forfeits	966 250	228 000
	330 296 509	**216 176 716**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	92 921 824	85 115 254
Rental of facilities and equipment	219 184	213 377
Licences and permits	1 963 791	1 634 693
Other income	1 187 682	632 932
Interest revenue	20 934 372	19 106 101
	117 226 853	**106 702 357**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	16 112 386	13 724 228
Transfer revenue		
Government grants & subsidies	102 063 338	95 522 131
Public contributions and donations	93 927 682	-
Fines, Penalties and Forfeits	966 250	228 000
	213 069 656	**109 474 359**

22. Public contributions and donations

Public contributions and donations 1	93 927 682	-

The municipality received a donation worth R 93 927 682 in kind in respect bulk water supply

23. Other revenue

Other income	1 187 682	632 932

Figures in Rand	2018	2017

24. Employee related costs

Acting allowances	1 195 779	1 363 163
Basic salaries and wages	33 952 316	26 623 511
Bonus	2 194 462	2 121 847
Cellphone allowance	800 431	695 029
Group insurance	519 491	81 467
Housing benefits and allowances	426 818	431 914
Industrial council levy	17 657	15 959
Leave pay	911 945	598 263
Long-service awards	356 045	158 699
Medical aid - company contributions	1 987 159	2 327 668
Overtime payments	2 928 842	2 875 742
Post-employment benefits - Pension - Defined contribution plan	5 528 153	5 611 626
SDL	389 209	358 504
Standby allowances	225 759	207 594
Transport allowances	1 013 884	1 002 883
UIF	297 046	292 008
	52 744 996	**44 765 877**

Remuneration of municipal manager

Annual Remuneration	393 368	2 009 049

During the year, the Accounting Officers were the Municipal Manager, and at reporting date MS TC Mametja

Remuneration of chief finance officer

Annual Remuneration	904 862	896 773
Car Allowance	60 000	72 000
	964 862	**968 773**

During the year, Mrs. A.M. Ngema was the Chief Financial Officer.

Remuneration of corporate services director

Annual Remuneration	126 141	711 550
Car Allowance	-	110 000
	126 141	**821 550**

During the year, Mr T Mokoena was the Director: Corporate Services

Remuneration of community services director

Annual Remuneration	837 387	853 918
Car Allowance	38 500	42 000
	875 887	**895 918**

During the year, Mr. I.V. Madonsela was the Director Community Service.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

24. Employee related costs (continued)

Remuneration of technical services director

Annual Remuneration	870 105	50 475

During the year, Mr. L Msibi was the Director Technical Services

Remuneration of planning and development director

Annual Remuneration	908 021	825 572
Car Allowance	73 584	73 585
	981 605	**899 157**

During the year, Ms. L.P. Makaya was the Director :Planning and Development.

25. Remuneration of councillors

Executive Mayor	844 059	732 884
Speaker	701 773	589 011
Chief Whip	332 354	241 056
Mayoral Committee Members	1 191 403	1 117 800
Councillors	1 866 304	2 423 071
	4 935 893	**5 103 822**

In-kind benefits

The Executive Mayor, Speaker and the two Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a separate Council owned vehicle for official duties.

The Council, from July 2017 is paying for full-time bodyguards for the Executive Mayor.

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

26. Depreciation and amortisation

Property, plant and equipment	17 992 022	19 558 704

27. Finance costs

Interest paid	5 986 023	1 910 179

28. Debt impairment

Contributions from receivables from exchange transactions	18 106 612	9 852 609
Bad debts written off	14 063 839	26 236 729
	32 170 451	**36 089 338**

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

29. Bulk purchases

Electricity	52 805 051	49 257 923
Water	5 742 259	1 026 161
	58 547 310	**50 284 084**

Bulk purchase of water is water supplied by Eskom on behalf of the Municipality to Grootvlei (ward 5) residents.

30. Grants and subsidies paid

Other subsidies		
Free basic services	3 663 227	3 384 303

31. General expenses

Advertising	429 056	496 481
Audit fees	4 805 332	2 919 862
Bank charges	494 738	832 436
Cleaning	-	43 566
Consulting and professional fees	6 093 451	4 373 864
Insurance	1 145 424	1 021 220
IT expenses	281 929	526 698
Licence fees	1 712 815	1 909 891
Medical expenses	-	55 800
Motor vehicle expenses	5 467 907	3 728 299
Protective clothing	53 714	345 909
Security costs	10 191 581	5 438 360
Staff welfare	19 600	4 725
Subscription and membership fees	480 888	592 614
Telephone costs	598 519	649 121
Training	627 163	512 058
Travelling & Subsistences	1 965 218	1 917 175
Township establishment	15 871	6 325
Chemicals	6 137 437	8 922 073
	40 520 643	**34 296 477**

32. Fair value adjustments

Investment property (Fair value model)	(435 529)	(935 679)

33. Impairment of assets

Impairments		
Property, plant and equipment	1 106 716	116 074

i) During the year, various items of immovable assets were assessed and impaired by R 1 106 716 due the damages and some of them were no longer in use

34. Auditors' remuneration

Fees	4 805 332	2 919 862

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

35. Cash generated from operations

Surplus	93 860 123	6 353 729
Adjustments for:		
Depreciation and amortisation	17 992 022	19 558 704
Derecognition of assets	10 506 260	2 110 329
Fair value adjustments	435 529	935 679
Impairment deficit	1 106 716	116 074
Debt impairment	32 170 451	36 089 338
Movements in retirement benefit assets and liabilities	1 145 726	(672 772)
Movements in provisions	3 492 521	12 102 780
Changes in working capital:		
Inventories	(54 267)	246 171
Receivables from exchange transactions	(56 042 170)	(33 661 745)
Receivables from non-exchange transactions	(630 230)	(472 855)
Trade and other payables	27 794 376	6 600 527
VAT	(17 602 819)	3 236 186
Unspent conditional grants and receipts	6 006 662	(20 351 456)
Consumer deposits	(32 592)	(62 531)
Vay Payable	16 840 693	-

36. Commitments

Authorised capital and operating expenditure

Already contracted for but not provided for		
• Property, plant and equipment	35 480 880	20 313 356
• Other financial assets	6 979 360	12 429 311
	42 460 240	**32 742 667**

Total capital commitments		
Already contracted for but not provided for	42 460 240	32 742 667

This committed expenditure relates to property and will be financed by available bank facilities, grants, retained surpluses, , existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	302 928	261 480
- in second to fifth year inclusive	311 409	124 980
	614 337	**386 460**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	164 563	164 563

The Municipality has no long term contracts with their lessees. All contracts are on a month to month basis.

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand	2018	2017

37. Contingent liabilities

(i) Agri operations is suing the municipality for electricity which is unrelated to the volume of consumption. The amount being claimed is R 1,884,046.

ii) As at the 30th of June 2017 The municipality dispusted an amount of R 19 643 61 from the Department of water of affairs and sanitation in respect of the amount alleged to be owed by the Municipality, the amount has now escalated to R71 001 264 as at 30 June 2018

38. Related parties

Related party transactions

	2018	2017
Administration fees paid to (received from) related parties		
Department of Security Safety and Liason	1 963 791	1 963 791
Other 1		
Department of Security Safety and Liason	2 367 954	174 413
Other 2		
AVIDATA	-	4 597

Dipaleseng Local Municipality entered into transactions with the Department of Community Safety, Security and Liaison through the licensing operations run throughout the financial year where the municipality earns a commission of 20 % and payment over 80 % to the department

39. Prior period errors

- Property, Plant and Equipment with a carrying value of R 2 338 309 was restated in the current financial year

	2018	2017
Statement of financial position		
Property, plant and equipment	-	2 338 309

40. Comparative figures

Certain comparative figures have been restated due prior year errors identified .

41. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of grants, which includes the unspent conditional grants disclosed in note 16, and cash and cash equivalents in note 3, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the debt: equity ratio.

This ration is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

The municipality's strategy is to maintain a debt: equity ratio of between 2 to 1

There are no externally imposed capital requirements.

41. Risk management (continued)

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Municipality treasury identifies, evaluates financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

42. Going concern

The Financial Statement have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

43. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2017.

44. Unauthorised expenditure

Opening balance	170 443 720	137 028 530
Movement during the year	38 211 310	33 415 190
Unauthorised expenditure awaiting authorisation	**208 655 030**	**170 443 720**

45. Fruitless and wasteful expenditure

Opening balance	6 324 569	4 414 389
movement for the year	3 550 192	1 910 180
Fruitless and wasteful expenditure awaiting condonement	**9 874 761**	**6 324 569**

The fruitless and wasteful expenditure for R 3 550 192 (2017: R 1 910 180) relates to interest charged on late payments

46. Irregular expenditure

Opening balance	94 057 115	56 621 279
Add: Irregular Expenditure - current year	16 341 790	37 435 836
Irregular expenditure awaiting condonement	**110 398 905**	**94 057 115**

The amount of 2018: R 16 341 790 6 (2017: R 37 435 836) relates to irregular expenditure – current year.

The above irregular expenditure is currently being investigated by the Municipal Public Accounts Committee who will provide recommendations for recoverability and any disciplinary steps that will be taken. As at 30 June 2018 they were not yet completed with their processes.

The detailed list of current year irregular expenditure is shown below:

Details of current year irregular expenditure

	Disciplinary steps taken/criminal proceedings	
Vumakonke transport and projects		2 197 998
Limaliqhame investment		2 089 838
Nomdric electrical		5 092 123
Maximum Profit recovery		722 683
Mabotwane security		5 971 802
Jenec construction		51 622
Babcock africa service		96 201
McCarthy Commercial Vehicles		114 629
AON		4 894
		16 341 790

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

46. Irregular expenditure (continued)

Details of current year supply chain deviations

	Condoned by (condoning authority)	
Sakhisizwe Development planners	Agreement entered between ESKOM and Dipaleseng with the Developers	172 000
Trekland	Only service provider responded for the services at minimal costs	7 610
Fixem Panel beaters	Service needed urgently	38 068
Main reef tyres	Service provider responded	9 912
Prompt services	Urgent request	4 950
Crane connection	The only nearby service provider to offer such services	62 829
D & Auto electrical Clinic	Urgent request for electrical materials	2 650
Nissan	the only car dealer to perform such services	47 805
Vumakonkoe transport and projects	urgent septic tank cleaning	744 700
Bri shel Manor	Accomodation needed urgently	2 895
Agremech SA	Service request from nearby dealer	15 945
McCarthy Commercial vehicle	the only car dealer to perform such services	46 124
Protea hotel	Urgent request	4 912
Truvelo Manufactures	Nearby supplier to provide thus such service	21 040
Nomdrick electrical	emergency repairs	1 689 600
Welgelen Manor	Urgent request for accomodation	2 456
Heraut publishers	Only free local newspaper accessible to the community	2 352
Crane connection	The only nearby service provider to offer such services	98 257
Mashimbane Security	Urgent request for VIP Security services	87 750
GM Mashaba electronics	extented service requested	10 276
Heraut publishers	Only free local newspaper accessible to the community	5 600
Supplycor	Limited service provider for supply of traffic uniforms	6 255
Mashimbane security	Urgent request for security services	131 625
Fixem panelbeaters	Urgent request- towing services	9 250
Main reef tyres	Only service provider responding to the request	9 912
Department of Safety security and Liason	face value document	4 691
Gani Auto	Service needed to be performed at the dealer	7 491
Mashimbane Security	Urgent request for VIP security	150 052
Onza Construction	Contractor responsble for wiring of the building	5 558
Onza Construction	Contractor responsble for wiring of the building	13 315
Babcok Services	The only the dealer to service the vehicle	109 669
Nic Botari	The only the dealer to service the vehicle	6 799
Siyavuka plant hire	emergency request	7 500
Heidelburg Nissan	The only the dealer to service the vehicle	23 115
Heidelburg Nissan	The only the dealer to service the vehicle	67 253
Heidelburg Nissan	The only the dealer to service the vehicle	13 960
Main reef tyres	Urgent request for tyres	9 600
DJ Motors	urgent request for vehicle repairs	7 592
Fix-Em Panel Beaters	Towing service	8 338
Fix-Em Panel Beaters	Towing service	8 338
Fix-Em Panel Beaters	Towing service	5 244
Siyavuka Plant Hire	Urgent rquest (Municipal TLB not working)	94 500
AgreMech SA	Urgent request vehilce repairs	36 337
Superior Autolec	urgent request for electricity vehicle repairs	2 974
Malpro Trading	Urgent request	11 092
Nkuyahe holdings	urgent request for refuse removal	4 000
Bombai electrical	emergency- power outage	19 015
Bombai electrical	emergency- power outage	14 683
Diamond star projects	urgent request for refuse removal during strike	3 900

46. Irregular expenditure (continued)

Redmar Worx	Damage motor pump- urgent request	132 267
Workshop eletrocnics	only service provider nearby fo caliberation	12 382
Multi tyres	urgent request tyre replacement	2 250
Main reef tyres	urgent request tyre replacement	3 500
Main reef tyre	only service provider responded	18 772
Nissan	Dealer to repair vehicle	50 294
Siyavuka plan hire	Urgent request due to ageing fleet	8 100
Pentravel	Urgent request fro flight	3 704
Promt service	emergency request no	2 495
Department of safety security liason	face value document	4 691
		4 108 244

The above supply chain deviations have been reported to council.

47. Additional disclosure in terms of Municipal Finance Management Act

Material distribution losses

Electricity Distribution loss	1 905 204	12 534 655
Water Distribution loss	7 807 012	4 812 713
	9 712 216	**17 347 368**

Electricity distribution losses for the current year were **3.61% amounting to R 1 905 204 (2016: 22.3% amounting to R 12 389 571)**. These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses.

Water distribution losses comprises of non-billed water, and for the current year were **74%, amounting to R 7 807 012 (2016: 66% amounting to R 4 812 713)**. These water distribution losses cannot be accounted for mainly due to theft, faultly pipes, spillages etc. This problem is currently being addressed by installing additional meters and a data cleansing process will be initiated to address the losses.

See note 29 for the total electricity bulk purchases for the year. For water, the Municipality purifies its own water except for the water supplied by Eskom to Grootvlei (ward 5) residents.

Contributions to organised local government

Current year subscription / fee	480 888	531 080
Amount paid - current year	(476 028)	(531 080)
	4 860	**-**

Audit fees

Opening balance	-	464 847
Current year subscription / fee	5 543 590	2 919 862
Amount paid - current year	(2 545 200)	(3 384 709)
	2 998 390	**-**

Pension and Medical Aid Deductions

Opening balance	1 090 460	-
Current year subscription / fee	7 588 315	7 939 294
Amount paid - current year	-	(6 848 834)
	8 678 775	**1 090 460**

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	543 731	624 530
Current year subscription / fee	6 818 012	7 141 616
Amount paid - current year	-	(7 222 415)
	7 361 743	**543 731**

VAT

VAT payable	-	17 602 819

VAT output payable is shown in note 12.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr WS Davel	1 383	-	1 383
Cllr MF Dlamini	828	-	828
Cllr PM Mokoena	2 531	20 751	23 282
Cllr Nyamade AK	2 815	106 928	109 743
Cllr KB Nkosi	1 285	-	1 285
	8 842	**127 679**	**136 521**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

48. Budget differences

Material differences between budget and actual amounts

Variance of 10% or more is considered to be material.
The following were material differences between the final budget and the actual amounts.

48.1 Increased due to tariff increase
48.2 Licencing department operated part of the year
48.3 Due tariff increase
48.4 Increased due to Gert Sibande donations
48.5 Operated part of the year
48.6 Due to salary increament aand employee benefit provision
48.7 Loss of control of assets
48.8 due to late payment of service providers
48.9 Reduced limited to registered indigents
48.10 Efficient management of electricity
48.11 Due to inflation rate
48.12 Fair value adjsutment
48.13 effective intallation of meter
48.14 Due tariff increase
48.15 Due to tariff increase
48.16 Effective cash management
48.17 Loss of control
48.18 Finanacial constraint
48.19 Project in progress
48.20 Licencing operated part of the year
48.21 financial constrainst